# Deloitte.

# "There are no rules of architecture for a castle in the clouds."
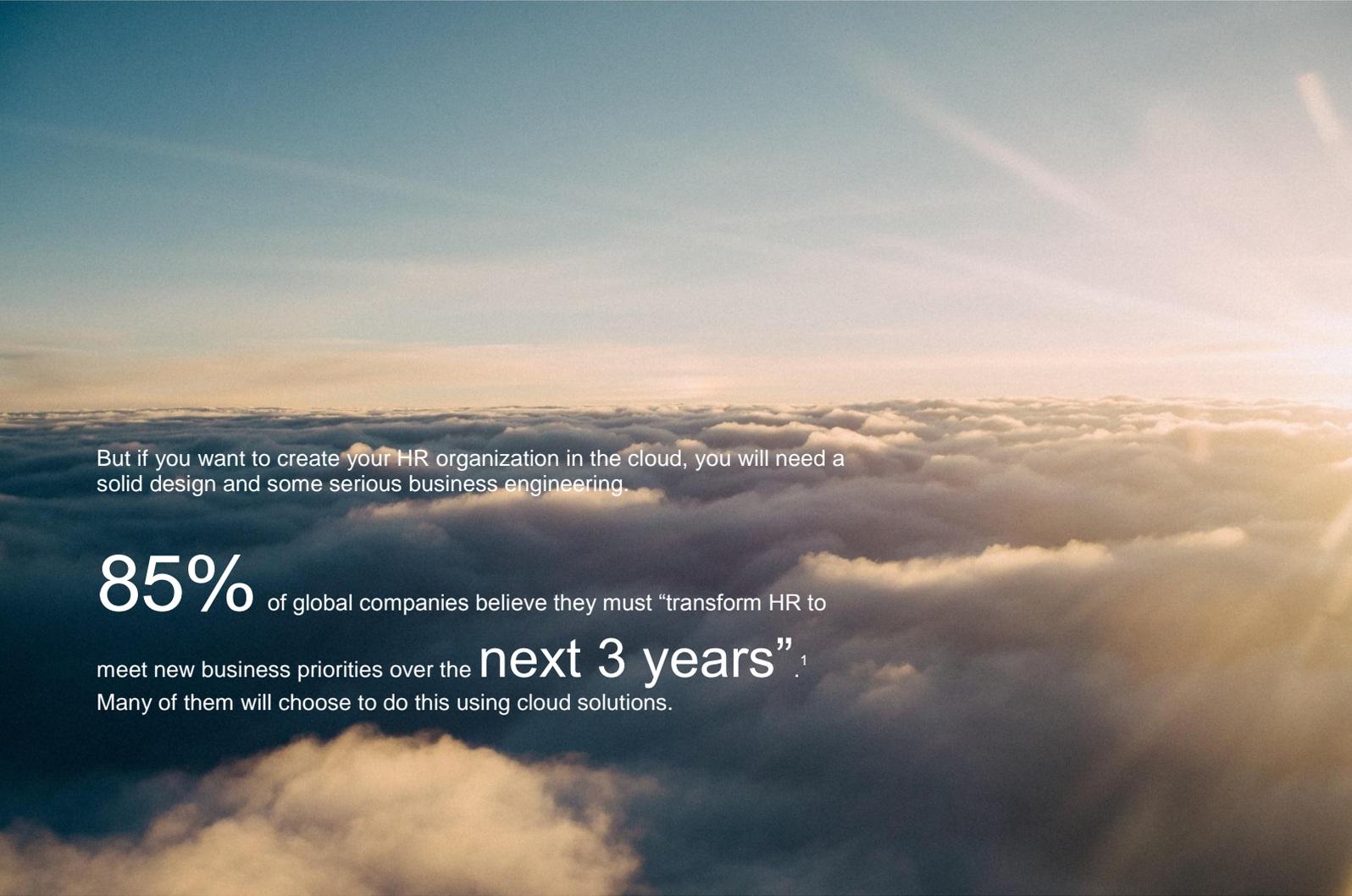
But if you want to create your HR organization in the cloud, you will need a solid design and some serious business engineering.

85% of global companies believe they must "transform HR to meet new business priorities over the next 3 years".[1] Many of them will choose to do this using cloud solutions.

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[1] Bersin by Deloitte High Impact HR study 2014

# Why do we need to transform?

If we take a look at the predicted workforce trends[2] over the next few years, the rise of generations Y and Z, and the increasingly tech savvy workforce is at the forefront.

This workforce is familiar with the internet, apps, and mobile devices. They are used to accessing limitless data, instantly, and they demand the same service and performance from their organizations.

Current OnPremise HR systems often fall short.

On the other hand, the possibilities available from HR cloud solutions are enticing. As well as intuitive front ends, and logical workflows, the HR Cloud solutions make reporting instantaneous, and allow us to play out "what if" scenarios, testing the impact of any number of factors on our organization. In addition, the solutions are global, bringing together organizations and data and making our lives easier across the board.

More good news – implementing an HR Cloud solution is cheaper and quicker than an OnPremise HR software implementation.[3]

When we get it right, a cloud based HR system is …

A key tool in identifying, attracting, developing and retaining new talent

A brand marketing presence

The door to big HR data

Let's take a closer look then, at what we need to consider before embarking on this journey to the cloud …

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# 10 Steps into the cloud

The business case for a cloud solution is often predicated on the quick implementation time. This brings its own set of consequences. Implementing a cloud solution is different from a traditional software implementation and we think it should come with its own set of guidelines.

## 1) "The end is where we start from." – T. S. Eliot

This is good advice in terms of any technology implementation, but doubly so for such a fundamental change as the shift to cloud technology. Understanding the scope of functionality required and having a clear end goal will make the implementation quicker and more successful.

There are different models for cloud HR implementations – completely cloud, hybrid cloud and OnPremise. Completely cloud solutions tend to work best for SMEs,[4] with larger organizations creating hybrid systems joining their OnPremise ERP with best-in-class recruiting and talent functions. Ultimately, it depends on what experience you want to create for the user, and what works for your medium to long term ERP Strategy.

The more clearly you can picture life after implementation for the end user, the more likely you are to achieve it.

## 2) Take your partner(s) by the hand

Vendors, suppliers and their solutions can be diverse[5] and it's worth taking the time to research and compare the different vendor offerings and get to know each other before embarking on the implementation.

It's good practice to review the financial performance of potential partners, and to check for imminent mergers and acquisitions. In addition, it's sensible to ensure that there are alternatives should the partner's financial viability be at risk. To help you feel comfortable, potential partners are typically more than happy to introduce you to their past clients and to discuss implementation journeys from a client point of view.

Understanding the vendor offerings in detail will also show you how well they fit your business requirements – and how much you would need to "force fit" the solution. Equally, it's a good idea to discuss with your partner in detail how your current IT landscape will need to be upgraded, and to fully understand the implications for your processes and software.

A particular consideration for HR cloud solutions is to understand the roadmap of the software supplier in the background. Supplier updates give solution innovations on a regular basis and it is a good idea to ensure that your priorities and those of the supplier are aligned.

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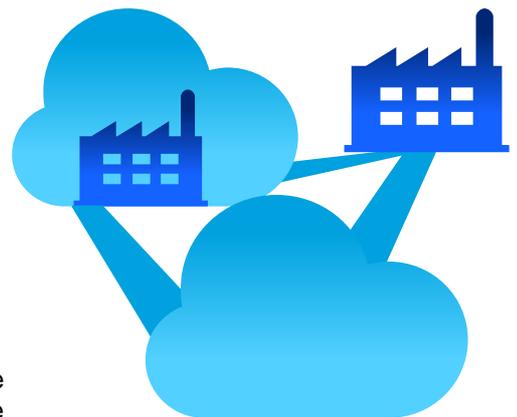
[4] http://www.computerwoche.de/a/hr-abteilungen-entdecken-die-sap-cloud,3064013 (german)

[5] The Forrester Wave™: SaaS HR Management Systems, Q4 2014 by Paul D. Hamerman, October 1, 2014

## Some hints and tips from our experience in planning with Agile methods:

Make sure you have allowed enough budget for security and risk reviews to ensure the security of the HR data

When testing, allow time to thoroughly review the user experience so that it is completely intuitive to your employees

Make sure you run end to end scenarios testing the flow of information through the interfaces, especially outside the core system

Be certain to have manual workarounds tested and ready to go if you are planning to handle your integration in phases

## 3) Money, money, money

Some considerations about ROI; Software as a Service is an ongoing service charge, rather than licensing costs, requiring therefore more focus on operating expenses. It's worth understanding the business preference for CapEx vs OpEx and determining if you can achieve overall lower total cost of ownership with the cloud.

The vendor costs are often underestimated, as consulting costs run throughout implementation through into maintenance and support. As a rule of thumb, vendor agreements should include at least 5 years of long term maintenance costs. We suggest taking a look at the support level costs for future release changes as some vendors have a tiered offering with different levels of support and appropriate costing.

The cost and duration of integrating ERP systems with cloud can be substantial and should be factored in during the planning phase of project. However, this may be off set by vendors who provide some pre-configured interfaces e.g. that enable HR applications to auto-load employee data. Additionally, the cost of internal resources for an implementation is typically lower with SaaS compared to an OnPremise implementation.[6]

## 4) "Plans are nothing; planning is everything" – Dwight D. Eisenhower

Although technology implementations have been around for a long time, Agile and Scrum methods are relatively new and have a very different working mentality from traditional waterfall methodologies. It's a good idea to thoroughly understand exactly how your chosen implementation method will work, before you start planning.
Agile methodologies are all about continually prototyping the solution, and refining it with the business until it is optimized. When you compare this to a traditional waterfall implementation, with the design, build, test stages, you will quickly see that the customary review points no longer exist. Instead, the best way to understand progress is to have a clear view of the starting baseline of your processes and how much efficiency you want to achieve at your end point. This means that the business case, and progress against it, needs to be measured against the time savings that you plan to achieve for the processes.

Understanding your end point is key here. You need to be clear about how sophisticated you want to be in terms of channel communication. How much automation do you want between email, fax, portal, chat, telephony and case management systems? This will impact the number of integration points to be built, tested and maintained.

## 5) Standard processes – and this time we really mean it

SaaS allows for flexibility in the process design and workflow, so processes can be personalized for your organization ... however, there is no option for customization at this time, only configuration.
Our experience suggests to design your global processes and configure country localizations only where legally required, with a hard challenge to the business if other changes are requested.

The advantages to this are clear – cleaner data, easier maintenance, support, reporting, reusable training etc but the road there can be bumpy. It`s good practice to work on standardizing the processes ahead of time – and this will require compromise and decision making. Typically, when this is not done, the implementation is slowed down waiting for decisions to be made. Getting leaders on message and decisive at the start of the project is a good way to stay on top of the cost savings.

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[6] SierraCedar report p21/22

## 6) Choose your project team – and then let them work on the project

Time and time again, we see project teams where the key business users are available for 15 or 20%. This simply doesn`t work with agile methodologies. The whole point of an agile development method is that the developer sits with the business user and they work on building the system together. This means that the business person learns about the software, as the developer learns about the business.

If you want the best out of your HR cloud solution, then be prepared for your project resource to be fully engaged in the project. Involve your key business key people early on. Agile expects high involvement by the customer to formulate and prioritize requirements, to test and review the implementation. For the business user in the project, this will be a new way of working. The method, be it agile, scrum etc will be very fast moving, with the system being changed daily. The business user needs to be prepared for this. The flip side is that Agile methodologies result in very quick development cycles.

## 7) Consider how this will impact your HR team

When the software is complete, the HR department will find that their roles have necessarily changed. HR Administration all but disappears, and HR are free to take on advisory and problem solving roles. Most cloud HR solutions for example, allow users to:

- Enter and change all their personal information
- Request leave, and check their entitlements
- Request benefits, and check their entitlements
- Complete and submit their expenses, including photographing receipts
- Complete and submit timesheets
- Manage approvals
- Check their pay
- Manage their team
- Use and update the employee directory
- Request training and maintain training records

Typically, each of these processes will require a global HR owner, who understand the complexities of each process, its impact on the different geographies and how it interacts with the other processes. There may also be local HR owners for each process. Change to the processes will need to be managed and so the HR team will find that they have more ownership of their own processes.

There will be a requirement to build up new HR IT skills. Often it is HR who deal with first line support for the HR system, including resetting user passwords, configuring automated system messages, workflows, announcements and reports and eventually adjusting the overall look and feel of the system. This means that some individuals will develop a hybrid skillset of IT and HR skills.

## 8) Consider how it will impact your employees

Some of us have been here before, when Employee Self Service and Managers' Self Service was first introduced back in the nineties. The difference this time around is threefold: the technical ability in the user population is more diverse; the user interfaces from the software suppliers are considerably more friendly and intuitive; mobile solutions bring a whole new dimension to usability. When implemented alongside self service and helpdesks, mobile solutions can increase user experience scores by nearly 50%.[7] .

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7 Unwrapping the 17th Annual Sierra-Cedar HR Systems International Survey Findings: Changing the Discussion on HR Systems October 23rd, 2014 Stacey Harris, continuing Vice President, Research and Analytics

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"If you want the best out of your HR cloud solution, then be prepared for your project resource to be fully engaged in the project."

Thanks to Amazon, ebay, facebook etc, many users are pretty comfortable entering personal data and submitting requests electronically. This tends to lead to a blasé attitude to training when implementing cloud solutions. In reality, though, training now has to take into consideration a technically diverse workforce spanning 3 technology generations, X,Y and Z, and produce training offerings to suit everyone.

There will still be a significant cultural change when the HR Cloud solution is live. It will appear that personal data is more accessible, and users will be able to see more data than before. The system can also be available 24/7 with real time access to data. This also means that there will be an expectation of HR and technical support in the same timeframe.
In addition, it may be perceived that we are asking people to complete additional tasks without recognition or reward, and to self-manage their own career progression and time planning. This needs to be discussed, agreed and communicated, unless you want HR to be swamped in emails and complaints and the employees to refuse to use the system. Change Management in HR cloud solutions is more than stakeholder management, communication and training, it is all about the user experience.

## 9) Make a point of data security

Whilst the reality is that HR data is very secure with cloud solutions, the perception is that our personal data is at risk. The recent well publicized hacking scandals, the European Court of Justice claim, that declares the "Save Harbour Agreement as no longer validmake people nervous, and this is an area that we want to address upfront to ensure that the users are confident in entrusting their personal information to the HR Cloud solution. We recommend that you involve your relevant stakeholders, such as data security officers and workers council as soon as possible in the process to ensure that you are compliant from the start.

When it comes to vendors, you can insist on security accreditations, and evidence from the vendor that they are compliant with national regulations. It is also common practice to negotiate to ensure that the chosen vendor provides the required security levels for your organization. Issues such as single sign on, access when working outside the firewall, passwords, data sites etc. should all be addressed with the vendor. We recommend that this be done in conjunction with your in-house audit and compliance team to ensure that the appropriate controls and disaster recovery plans are incorporated into testing.

## And finally … 10) Look to the future

It's not over when it's over. Unlike traditional software implementations, an HR Cloud solution brings the worlds of HR and IT much closer together – permanently. The advantages gained through a global, cutting edge system have corresponding implications. In order to keep the system up to date with all the latest changes, there will be updates and releases every 3 to 6 months, which may also include functional updates. The two teams will necessarily continue to work closer together to implement these successfully. Understanding this and ensuring that the right people are involved in the appropriate roles from the beginning of the project will save time and money when it comes to operating the new system.

Once you have considered these 10 guidelines, we believe you have taken your first steps on the way to a successful implementation. There are many ways that we can help you through the next steps.

# Some information about our own track record with key HR Cloud suppliers:

Deloitte is the number one partner for SAP Success Factors in the US, and holds the SAP North America Partner Excellence Award for Cloud Services in 2015. With more than 12,000 dedicated SAP practitioners, Deloitte is the winner of more than 50 awards for technical quality, co-innovation, and client service excellence, winning the 2013 SAP Pinnacle Award in the category of Quality Award Partner of the Year. In addition to being a partner member of SAP's Board of Advisors, we are a "Global Partner – Services," the highest level of partnership and have been working with Success Factors since 2007. Deloitte and SAP have jointly invested $10 million in annual R&D and solution development to the benefit of our clients for innovation, product development, and tools.
Clients include Yahoo, Bacardi, Asics.

Our record with Workday is similar. Deloitte has enjoyed a relationship with the Workday leadership for over 15 years and we have been a partner with Workday for 8 years. There is a Workday-Deloitte CEO-to-CEO relationship. With more than 800 certified Workday practitioners, Deloitte delivered over 175 Workday projects around the globe, more than any other competitor in the Workday ecosystem by far. Deloitte is a Multi-year Platinum Sponsor at Workday Rising and is a Workday Global Alliance Partner. We have eengaged with Workday to expand product development in HR and Finance and we have a Bilateral subcontracting agreement in place.
Clients include Sony, Johnson and Johnson, Philips.

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